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TO RUEHC/SECSTATE WASHDC PRIORITY 6778  
INFO RUEHNE/AMEMBASSY NEW DELHI PRIORITY 0762  
RUEHCI/AMCONSUL CALCUTTA PRIORITY 0001  
RUEHCG/AMCONSUL CHENNAI PRIORITY 0026  
RUEHFL/AMCONSUL FLORENCE PRIORITY 2003  
RUEHMIL/AMCONSUL MILAN PRIORITY 8124  
RUEHBI/AMCONSUL MUMBAI PRIORITY 0032  
RUEHNP/AMCONSUL NAPLES PRIORITY 2138  
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SUBJECT: LARGEST-EVER INDIAN TRADE DELEGATION VISITS ITALY

Summary and Comment

1. The visit of a major Indian trade delegation highlighted Italian and Indian interest in increased trade. Bilateral trade reached 3.7 billion euro in the first nine months of 2006, on pace to set a new record. We believe Italy,s interest derives from its perennial bilateral trade deficit with India and new Trade Minister Bonino,s activist outreach on behalf of Italian business. End summary and comment.

Introduction

2. Kamal Nath, Indian Minister of Commerce and Industry, led a 130-member delegation, comprised of commerce officials and industry executives, to Rome November 6-8. The delegation, the largest ever sent abroad by India, sought to promote Italian investment in India during meetings with Prime Minister Prodi, President Napolitano, Trade Minister Bonino, other government ministers, and industry executives. Both countries seek to increase their bilateral trade, which reached 3.7 billion euros for the first 9 months of 2006, on pace to set a new record.

3. The Indian delegation sought to develop ties with Italian companies and to market India as a destination for investment, by showcasing India,s manufacturing and human resource capabilities. Indian executives visited small and medium enterprise (SME) clusters in the automotive sector (Turin), food processing and automation systems (Parma), textiles and leather (Florence/Prato) and gems and jewelry (Vicenza). The two countries also established a Joint Working Group on Infrastructure (JWG), intended to bring Italian money and technology to India,s infrastructure. The JWG will first meet in New Dehli in January 2007.

India,s Long-Standing Commercial Relationship.

4. Italian companies already have a substantial presence in India. Fiat, for example, signed an agreement with the Tata Group to manufacture and sell Fiat passenger vehicles, engines, and transmissions. Fiat,s initial investment was valued at \$86.2 million, and is expected to grow. Assicurazioni Generali and Pantaloons Group have formed a joint venture to offer insurance in India. (Assicurazioni Generali holds 26 percent of the USD 44 million joint venture.) Ansaldo, a subsidiary of the Finmeccanica group, signed a USD 98 million contract with Indian Railways for a rail safety system on tracks from Delhi to Agra. Perfetti Van Melle invested 1.5 million dollars in the confectionary

market. Marconi, another Finmeccanica firm, has invested 50 million dollars in an Advanced Technology Development Centre in Guragon. Eurofly previously announced three weekly nonstop flights between Rome and Delhi, beginning January 15, 2007. Italy has funded a UNIDO (UN Industrial Development Organization) project in India for the development of joint programs with Italian clusters and Mutual Credit Guarantee Schemes.

#### Italy Offers Niche in Luxury Goods.

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15. Prior to the November trade mission, several Italian luxury goods manufacturers had announced plans to open stores in India to reach India,s growing upper middle class. Armani previously announced plans to open four outlets in Delhi and Mumbai, while Bulgari, Ferragamo, and Valentino have already opened stores in New Delhi. Ferragamo now plans to open ten additional stores in the next five years. Versace has opened two stores in Mumbai and Juhu. Carrera Jeans invested 110 million dollars in a manufacturing plant and 50 retail stores. Benetton now has 85 retail stores in India.

#### An Italian Trade Mission to Go to India.

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16. Prime Minister Prodi plans to lead a 400-member trade and investment delegation to India in February 2007 to attract Indian investment to Italy. According to Leonardo Schiavo, Chief of Staff to Trade Minister Bonino, Indian investment in Italy is concentrated in the jewelry and automotive sectors. Among other things, the GOI hopes to lure Indian filmmakers

ROME 00003350 002 OF 002

to Rome to make "Bollywood" films at Rome,s Cinecitta studios.

#### Italy,s Foreign Trade with India (billions of euro).

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17. Italy consistently runs a trade deficit with India. We expect the deficit will increase as the two countries are on pace to set a new record for trade in 2006.

	Exports	Imports
2000	1.007	1.626
2001	1.034	1.668
2002	1.034	1.587
2003	1.097	1.682
2004	1.273	2.027
2005	1.679	2.201
2006*	1.483	2.190

\*Provisional figures for January - September  
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